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Civil
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ANNEX 1: EEA Civil Society Fund Cost Eligibility Guidance

version 1.1

Contents

1. SCOPE AND PURPOSE 4
2. GENERAL PRINCIPLES OF ELIGIBILITY AND COST CATEGORIES 5
2.1. General principles for the eligibility of project costs 5
2.1.1. Eligibility period of project costs 5
2.2. Direct eligible costs 6
2.2.1. Personnel costs 6
2.2.2. Travel and accommodation costs 7
2.2.3. Equipment costs 7
2.2.4. Consumables and materials 8
2.2.5. Service costs (subcontracting) 8
2.2.6. Other direct costs 8
2.2.7. Special condition for real estate-related costs 8
2.3. Indirect costs 9
2.4. Ineligible costs 9
3. SIMPLIFIED COST OPTIONS 10
3.1. Simplified Cost Options used in the Programme 10
3.1.1. Flat-rate financing 10
3.1.2. Unit cost 12
3.1.3 Lump sums 13
3.2. Different budget options by type of support 14
3.2.1. Project budgets 14
3.2.2. Guidance on selecting the appropriate budget option for small projects and project grants . 15
3.2.3. Selecting project budgets in the eGRANT system 16
3.2.4. Changes to project budgets 17
4. SUPPORTING DOCUMENTS IN BUDGET PREPARATION AND REPORTING 18
4.1. Supporting documents when using Simplified Cost Options 18
A. When submitting the budget 18
B. When submitting reports 18
4.2. Supporting documents for real costs 19
A. When submitting the budget 19
B. When submitting reports 19

5. PRINCIPLES FOR PURCHASES AND PROCUREMENT 20
6. PROJECT ACCOUNTING AND AVOIDANCE OF DOUBLE FUNDING 22
6.1. Project accounting 22
6.2. Avoidance of double funding 22
7. ANNEXES 24

1. SCOPE AND PURPOSE

The EEA Civil Society Fund Cost Eligibility Guidelines (hereinafter the “Guidelines”) define the principles and criteria for the eligibility of costs. The Guidelines describe the categories of eligible costs and the Simplified Cost Options applicable under the EEA Civil Society Fund (hereinafter the “Programme”).

These Guidelines are binding on the following parties:

- all applicants submitting applications under the relevant calls for proposals;
- all Project Promoters and Project Partners during project implementation in accordance with the concluded project contract.

The Fund Operator (the consortium of the Open Estonia Foundation and the Network of Estonian Non-profit Organisations, hereinafter the “FO”) has the right to amend or supplement the Guidelines in accordance with changes to the Programme implementation rules and procedures, based on the provisions of the Programme Implementation Agreement and other generally applicable legal acts related to the implementation of the European Economic Area (hereinafter the “EEA”) Financial Mechanism 2021–2028.

The valid version of the Guidelines is binding to all applicants, Project Promoters and Project Partners and is published on the official Programme website.

2. GENERAL PRINCIPLES OF ELIGIBILITY AND COST CATEGORIES

2.1. General principles for the eligibility of project costs

All eligible costs must meet the following criteria:

- real costs must have been incurred within the eligibility period defined in the project contract. In the case of Simplified Cost Options, the activities, units, outputs or results on which the payment is based must have taken place or been achieved within the eligibility period. For flat-rate financing, the base costs to which the flat rate is applied must also fall within the eligibility period and comply with the applicable eligibility rules;
- be directly related to the project activities;
- be included in the approved project budget;
- be proportionate and necessary for the implementation of the project;
- comply with the principles of economy, efficiency and effectiveness;
- be recorded in the accounts of the Project Promoter or Project Partner and be identifiable and verifiable, except for costs reported under Simplified Cost Options, where the achievement of the activities, units, outputs or results agreed in the project contract is verified;
- comply with applicable national legislation.

2.1.1. Eligibility period of project costs

Project costs are eligible from the date specified in the project contract. The project contract also specifies the end date of the eligibility of costs, which may not be later than 30 April 2031. For activities financed from the Fund for Bilateral Relations or from the Fund for Regional Civil Society Initiatives, the end date of the eligibility of costs is 31 December 2031. Costs incurred after the end date are not eligible.

Eligible project costs may take the following forms:

1. Real costs

For the successful implementation of the project, eligible costs actually incurred by the Project Promoter and/or the Project Partner are reimbursed. The Project Promoter must substantiate the costs by showing that an invoice or other cost document has been issued for the cost, the cost has been paid, and the goods have been delivered or the service has been provided.

2. Simplified Cost Options (SCO)

Simplified Cost Options are unit costs, percentages or amounts determined in advance, which reflect as accurately as possible the actual eligible costs that normally arise when implementing activities.

Simplified Cost Options are an alternative to reimbursement based on real costs. When Simplified Cost Options are used, it is not necessary to submit accounting documents substantiating each individual cost.

The Programme uses the following Simplified Cost Options and related budgeting methods:

- **flat-rate financing –** a percentage determined in advance and used to calculate one or more cost categories;
- **unit cost –** a cost determined in advance for one measurable unit;
- **lump sums** – payments fixed in advance and linked to the achievement of activities, outputs or results;
- **draft-budget method –** a budgeting method in which the applicant first submits a conventional budget, which is converted after project selection into a budget based on Simplified Cost Options, using unit costs and/or lump sums.

A more detailed description of each cost option and budgeting method, together with examples, is provided below, as well as an overview of which budget options may be used for different types of support and calls for proposals.

For projects in the amounts of EUR 10,000–25,000, EUR 25,001–40,000, EUR 50,001–80,000 and EUR 80,001–120,000, different budget options may be used, based on real costs and/or Simplified Cost Options. These options are described in more detail below.

Institutional Grants in the amount of EUR 150,000 are implemented only on the basis of a budget using Simplified Cost Options.

2.2. Direct eligible costs

Direct eligible costs of the project are costs that are directly related to the implementation of the project. The following direct costs are eligible provided that they meet the eligibility requirements set out in section 2.1.

2.2.1. Personnel costs

Personnel costs may include the following personnel:

- employees working under an employment contract, including employer's taxes and other statutory costs;
- natural persons working under a contract other than an employment contract, provided that:
    - the person works under the instructions and supervision of the Project Promoter or Project Partner;
    - the results of the work belong to the Project Promoter or Project Partner;
    - the person is involved in the implementation of the project in a manner similar to regular staff;

- the remuneration is comparable to the remuneration of employees performing equivalent tasks;
- the person does not act as an external expert or subcontractor.

Project personnel costs are calculated on the basis of real costs and are subject to following principles:

- if an employee works for the project at a fixed percentage of working time, this must be fixed in an annex to the relevant employee's contract. If such a contract annex is submitted, there is no need to keep separate time records for the time worked for the project;
- if the employee's volume of work for the project varies from month to month, timesheets must be kept and submitted for the time worked for the project.

2.2.2. Travel and accommodation costs

Travel must be clearly linked to project implementation and may be undertaken by the employees of the Project Promoter or Project Partner and/or project participants, including volunteers. When choosing transport and accommodation, costs must be reasonable, ensure good value for money and correspond to the usual travel expense practices of the Project Promoter or Project Partner.

For international travel, daily allowances may be reimbursed in accordance with the rules applicable in Estonia for the reimbursement of business travel expenses.

2.2.3. Equipment costs

The cost of new or used equipment, including the full purchase price, may be eligible if it is proportionate to the project activities and necessary for the implementation of the project.

Equipment does not need to be depreciated for project cost purposes, but only the part actually used for the project may be charged to the project.

- If the equipment is used 100% for the project, the full cost of the equipment or its entire current residual value may be charged to the project costs.
- If the equipment is used only partly for the project, only the share of the costs corresponding to its actual use in project activities may be reported under the project.

The method for calculating the proportion of use, such as hours of use, achieved output or another measurable allocation method, must be transparent, verifiable and documented.

All equipment purchased for the project must be kept safely and used for its intended purpose and, where necessary, measures must be taken to preserve it.

2.2.4. Consumables and materials

Consumables and materials are eligible if they:

- are necessary for the implementation of the project;
- are identifiable and directly attributable to the project;
- are used solely for the project.

2.2.5. Service costs (subcontracting)

Subcontracting is a situation where the Project Promoter or Project Partner orders work, a service or an activity necessary for project implementation from an external service provider. Subcontracting may include, for example, the services of a trainer, expert, researcher, translator, designer, IT developer or event organiser. Subcontracts are part of the project and must already be described in the application. All such contracts must comply with the principles for purchases and procurement set out in these Guidelines.

Subcontracting differs from project partnership. A Project Partner participates in the substantive implementation of the project in accordance with the role and responsibilities agreed in the project, whereas a subcontractor provides a specific service or carries out a defined task for the Project Promoter or Project Partner for a fee. Subcontracting between the Project Promoter and the Project Partner is not allowed.

If the value of the work, service or activity ordered through subcontracting exceeds EUR 15,000 including VAT, the principles for purchases and procurement set out in section 5 of these Guidelines must be followed. In such cases, the Project Promoter or Project Partner must request at least three independent and comparable offers and document the comparison of offers and the justification for the selection. The same obligation applies if the total value of contracts or orders concluded with the same service provider during the project exceeds EUR 15,000 including VAT.

2.2.6. Other direct costs

Other direct costs are costs not listed above that arise directly from the project contract or the implementation of the project, are necessary for achieving the project objectives and are included in the approved budget. Costs must be justified and clearly linked to the project.

2.2.7. Special condition for real estate-related costs

Costs for the renovation or refurbishment of real estate may not exceed 50% of the total direct eligible costs of the project.

If the total amount of such costs exceeds EUR 50,000, the Project Promoter must ensure that the real estate is used to support the project objectives for at least three years after the end of the project.

2.3. Indirect costs

Indirect costs are costs that cannot be directly attributed to a specific project activity but are necessary for the general functioning of the organisation and the implementation of the project. They may include management, administration and accounting costs, as well as overheads such as office rent, utilities, telephone and internet costs and IT support. Indirect costs must not include any direct costs.

Indirect costs are calculated using a flat rate – see section 3.1.1.

2.4. Ineligible costs

The following costs are not eligible under the Programme:

- interest on debt, debt service charges and late payment penalties;
- financial transaction fees and other purely financial costs, except for costs related to accounts and financial services required by the project contract;
- costs related to the purchase of land or real estate;
- provisions for losses or possible future liabilities;
- exchange rate losses;
- recoverable VAT;
- costs covered from other sources;
- fines, contractual penalties and litigation costs, except where the litigation is an integral and necessary part of achieving the project results;
- excessive or reckless expenditure.

3. SIMPLIFIED COST OPTIONS

Eligible project costs reimbursed by the Fund Operator to Project Promoters may be real costs and/or costs calculated on the basis of Simplified Cost Options, including flat-rate financing, unit costs or lump sums.

The applicable Simplified Cost Options, their rates and calculation bases are determined in advance by the Fund Operator and approved in the project contract and, where applicable, in the partnership agreement. Once agreed, the selected Simplified Cost Option, or the underlying amounts, percentage rates, unit costs, lump sums or calculation methods, may not be changed. They may also not be changed in order to compensate for under- or overspending in any cost category. Simplified Cost Options may also not be applied retroactively to projects that are already being implemented on the basis of real costs.

When Simplified Cost Options are used, reimbursement of costs does not depend on the amount of real costs incurred, but on fulfilment of the conditions agreed in the project contract. Reimbursement is based on the implementation of agreed activities, the completion of units or the achievement of outputs and results, and on their verification in the manner specified in the project contract.

3.1. Simplified Cost Options used in the Programme

3.1.1. Flat-rate financing

Flat-rate financing is used to calculate certain cost categories by applying a fixed percentage to another eligible cost category.

The Programme uses flat-rate financing in the following cases:

A. For calculating indirect costs where direct costs are reported on the basis of real costs

In this case, indirect costs are calculated as follows:

- 7% of eligible direct costs.

This is a mandatory rate determined in advance by the Programme, which is not changed during the project or adjusted according to the amount of actual indirect costs.

Example:

Personnel costs: EUR 40,000
Service costs: EUR 20,000
Other costs: EUR 5,000
Total direct costs: EUR 65,000
Indirect costs = 7% of direct costs: EUR 4,550

Total: EUR 69,550

In the case of Project Promoters or Project Partners that are international organisations or bodies or agencies thereof, indirect costs may be identified in accordance with the relevant rules established by such organisations.

B. For calculating all costs that are not direct personnel costs

This option is used in two ways:

- for small projects in the amount of EUR 10,000–25,000, a 100% rate of eligible direct personnel costs is applied to cover all remaining eligible costs, including indirect costs;
- for other projects in the amounts of EUR 25,001–40,000, EUR 50,001–80,000 and EUR 80,001–120,000, a 40% rate of eligible direct personnel costs is applied to cover all remaining eligible costs, including indirect costs.

In these cases, the project budget contains only two cost categories:

3. personnel costs;
4. all other eligible costs, including indirect costs, calculated according to the size of the project using either a 100% or 40% flat rate.

Example:

Budget structure for a small project:
Personnel costs: EUR 10,000
Other costs = 100% of personnel costs: EUR 10,000
Total: EUR 20,000

Budget structure for other projects:
Personnel costs: EUR 50,000
Other costs = 40% of personnel costs: EUR 20,000
Total: EUR 70,000

Under this option, it should be noted that personnel costs must always be calculated on the basis of real costs.

Please note the following:

- personnel costs cannot be reported in an amount higher than that provided for in the budget;
- if personnel costs decrease, the amount allocated to other costs also decreases automatically, because it is calculated as a fixed percentage of direct personnel costs;
- no separate cost categories are distinguished for other costs.

If the project includes a Project Partner, the same flat rate is applied to both the Project Promoter and the Project Partner.

3.1.2. Unit cost

Unit costs may be used when converting a draft-budget project into a budget based on Simplified Cost Options.

The Programme allows the applicant to submit a draft-budget project. When preparing the budget, the applicant may use cost categories that correspond to the content and needs of the project, provided that the planned costs are necessary for the implementation of the project, justified and eligible. Indirect costs are calculated at a fixed rate of 7% of the project's direct eligible costs. If the project is selected, the draft budget is converted, in cooperation with the Fund Operator, into a budget calculated on the basis of unit costs. In this case, the budget amounts are determined on the basis of clearly defined and measurable units. The focus shifts from detailed financial reporting to the implementation of agreed activities or the achievement of agreed results.

A new unit-based budget and a list of evidence to be submitted by the Project Promoter and the Project Partner to substantiate the activities carried out and results achieved are added to the project contract.

For activities financed on the basis of unit costs, detailed financial reporting of real costs and documents substantiating costs are not required. However, payment depends on the following conditions:

- the agreed activity must have been implemented or the agreed results achieved in the manner set out in the project contract and its annexes;
- all documents or other materials substantiating the activities or results set out in the project contract and its annexes must be submitted as evidence;
- partial achievement of an activity or result entitles the Project Promoter and the Project Partner to a partial payment if this is provided for in the project contract.

Example:

An organisation plans to create a new advocacy network within the project, with at least 50 organisations joining during the project. For this purpose, it participates in three thematic trainings and two study trips abroad to learn about the activities of similar networks.

The organisation submits the following budget:

Project management fees: EUR 35,000
Purchased services related to creating the network: EUR 10,000
Premises for network meetings: EUR 3,000
Training costs: EUR 3,000
Travel costs: EUR 2,000
Total: EUR 53,000

This budget may be divided into unit costs so that the unit is an "organisation joining the network". In this case, the total budget is divided by 50 organisations and the number of organisations that joined during the reporting period is reported in the project report.

53,000 / 50 = EUR 1,060 per organisation joining the network

If 10 organisations join the network in the first period, 10 × 1,060 = EUR 10,600 is reported. The same principle is applied until the end of the project.

If only 40 organisations join the network during the project, 40 × 1,060 = EUR 42,400 is reported in the final report and the remaining budgeted amount remains unused. If 55 organisations join the network during the project, the actual number of organisations that joined is reported in the narrative report, but a maximum of 50 organisations, i.e. the maximum budgeted quantity approved in the project contract, may be reported in the financial report.

The budget may also use several unit costs, such as "training", "study trip abroad" and "organisation joining the network". The trainings, trips and number of organisations that joined during the reporting period are reported in the project report.

3.1.3 Lump sums

3.1.3.1. Lump sums for Institutional Grants

Lump sums are used for Institutional Grants, and their amount and calculation bases are determined in advance by the Fund Operator.

Applicants do not have to submit a separate project budget, but the application must include the organisation's general budget for the project implementation period.

3.1.3.2. Financing project activities with lump sums

The Programme allows the applicant to submit a draft-budget project. When preparing the budget, the applicant may use cost categories that correspond to the content and needs of the project, provided that the planned costs are necessary for the implementation of the project, justified and eligible Indirect costs are calculated at a fixed rate of 7% of the project's direct eligible costs. If the project is selected, the draft budget is converted, in cooperation with the Fund Operator, into a budget using lump sums. In this case, the budget amount or amounts are determined in advance on the basis of clearly defined and measurable activities, outputs and/or results. The focus shifts from detailed financial reporting to the implementation of agreed activities or the achievement of agreed results.

A new budget using lump sums and a list of evidence to be submitted by the Project Promoter and the Project Partner to substantiate the activities carried out and results achieved are added to the project contract.

For activities financed with lump sums, detailed financial reporting of real costs and documents substantiating costs are not required. However, payment depends on the following conditions:

- the agreed activity must be fully implemented or the agreed results must be fully, i.e. 100%, achieved in the manner set out in the project contract and its annexes;
- all documents or other materials substantiating the activities or results set out in the project contract and its annexes must be submitted;

- partial achievement of an activity or result does not entitle the Project Promoter or the Project Partner to a partial payment, except where separate payment instalments have been agreed in the project contract.

Example:

An organisation plans to hold two roundtable meetings with representatives of ministries, ten trainings for civil society organisations with a total of 70 participants, and three events for young people involving at least 30 young people.

The organisation submits the following budget:

Project management fees: EUR 30,000
Costs of organising roundtable meetings: EUR 2,000
Trainer fees: EUR 15,000
Training room rental: EUR 3,000
Training materials: EUR 2,000
Room rental for youth events: EUR 1,500
Coffee break for youth events: EUR 2,500
Total: EUR 55,000

This budget may be divided, for example, into three lump sums, each representing one type of planned activity: roundtables, trainings and youth events. Project management fees are divided between them according to the proportion of working time.

In this case, the following principles apply:

- *if all activities described in the application are implemented and the agreed number of participants is achieved, the grant payments are made on the basis of three lump sums according to the timing of the activities;*
- *if the two roundtable meetings cannot be organised, the payment budgeted for the roundtable costs is not paid at all;*
- *if other activities not provided for in the project contract are carried out instead of the promised roundtable, no payment is made for the roundtable activities;*
- *if three or more roundtable meetings are carried out during the project instead of the two promised roundtables, the Project Promoter is still paid the lump sum agreed in the project contract for the roundtable activities.*

3.2. Different budget options by type of support

3.2.1. Project budgets

The Programme offers the following project budget options:

1. Small projects

- budget option B – personnel costs are budgeted on the basis of real costs and all remaining eligible costs are covered as a flat rate amounting to 100% of eligible direct personnel costs;
- budget option D – the draft budget is converted into a budget where costs are covered by lump sums.

2. Project grants

- budget option A – direct costs are budgeted on the basis of real costs and indirect costs are calculated as a flat rate amounting to 7% of direct eligible costs;
- budget option B – personnel costs are budgeted on the basis of real costs and all remaining eligible costs are covered as a flat rate amounting to 40% of eligible direct personnel costs;
- budget option C – the draft budget is converted into a budget where costs are calculated on the basis of unit costs;
- budget option D – the draft budget is converted into a budget where costs are covered by lump sums.

3. Institutional Grants

For Institutional Grants, lump sums are used and the Programme does not offer separate budget options (see section 3.1.3.1).

3.2.2. Guidance on selecting the appropriate budget option for small projects and project grants

The choice of budget option depends primarily on the structure of the planned costs, including the share of personnel costs compared to the project's other direct costs. Correct planning of personnel costs is very important, as the total project budget may depend on it.

When selecting the budget option, it must also be assessed how clearly the project activities, outputs and results are measurable and what evidence can be provided to prove their achievement. If costs are diverse or the exact volume and need for activities may change during the project, a budget based on real costs may be more appropriate. If the activities are recurring and measurable in fixed units, the use of unit costs may be appropriate. If the project focuses on specific verifiable outputs or results, the use of lump sums may be appropriate.

It should also be taken into account that different budget options entail different reporting obligations and administrative burdens. A budget based on real costs generally requires more financial documents and evidence to be submitted. When Simplified Cost Options are used, the obligation to submit financial documents is smaller or absent altogether, but greater emphasis is placed on proving activities, outputs or results.

In all cases, the selected budget option must be consistent with the content of the project and allow the Fund Operator to assess whether the planned activities and results are realistic, justified and verifiable.

The choice of budget option must be based on the content of the project and the structure of the planned costs:

1. Small projects

Option B is most suitable when personnel costs account for approximately half of the total project budget. Other project costs, i.e. non-personnel costs, account for the other half of the budget and are calculated as a flat rate, i.e. 100% of the declared personnel costs.

Personnel costs are reported on the basis of real costs. Other costs are reported on the basis of the flat rate described in section 3.1.1 B.

Under this option, it should be noted that if the volume of personnel costs decreases during the project, the portion available for other costs also decreases automatically.

Option D is most suitable when the project consists of clearly measurable outputs or results and personnel costs account for less or more than half of the total cost volume. The budget is prepared in accordance with section 3.1.3.2.

2. Project grants

Option A is suitable when most direct costs are non-personnel costs, such as services, materials or travel costs. The costs are diverse in nature and it is not reasonable or possible to determine them in advance as a flat rate, unit cost or lump sum. If the exact volume of costs may change during the project depending on actual needs or market prices, this budget option provides a degree of flexibility by also allowing budget changes. Indirect costs are calculated separately in the budget as a flat rate amounting to 7% of all direct eligible costs.

Option B is most suitable when personnel costs account for the largest share of the total project budget. Other project costs, i.e. non-personnel costs, are calculated as a flat rate amounting to 40% of eligible direct personnel costs and reported as described in section 3.1.1 B.

Option C is most suitable when the project consists of recurring activities or other clearly measurable units. The budget is prepared in accordance with section 3.1.2.

Option D is most suitable when the project consists of clearly measurable outputs or results. The budget is prepared in accordance with section 3.1.3.2.

3.2.3. Selecting project budgets in the eGRANT system

All budget options and budget forms are integrated into the eGRANT system. The system guides the applicant step by step in preparing the budget and allows costs to be entered according to the selected budget option and cost categories. If Simplified Cost Options are used, the system automatically performs the applicable calculations based on predefined rates and formulas.

When preparing the project budget, the applicant must use the forms and calculators provided in the eGRANT system. These help ensure that the budget complies with the predefined rules and allow the Fund Operator to assess the budget on a consistent basis.

3.2.4. Changes to project budgets

The selected budget option cannot be changed during project implementation. It is therefore very important to make the most appropriate choice at the application stage and to carefully consider the project content, activities and expected costs.

For project grants where direct costs are reported on the basis of real costs, i.e. budget option A is used, transfers between cost categories for direct costs are allowed up to 10% of the volume of the relevant cost category. If the change exceeds 10% for a cost category, the Project Promoter must request the Fund Operator's consent before making the change and obtain prior approval.

For small projects and project grants where Simplified Cost Options are used, i.e. flat-rate financing, unit costs or lump sums, budget changes are not allowed. Where flat-rate financing is used, the rate approved in the project contract and its calculation basis cannot be changed. Where unit costs are used, the agreed unit and the unit cost price are not changed. If lump sums are approved in the project contract, they are not changed during the project. All applicable amounts, rates and calculation methods are determined in advance (*ex ante*) and approved in the project contract and, where applicable, in the partnership agreement.

A change in the project duration requires the prior approval of the Fund Operator. Extension of the project may be possible only if the maximum permitted project duration established in the relevant call for proposals is respected.

4. SUPPORTING DOCUMENTS IN BUDGET PREPARATION AND REPORTING

4.1. Supporting documents when using Simplified Cost Options

A. When submitting the budget

When submitting a draft-budget project that is converted into a budget based on lump sums or unit costs, supporting documents for personnel costs are not required, unless the budgeted costs appear disproportionate. In such cases, the Fund Operator may request an employment contract or contract under the law of obligations, depending on the form of work, indicating the agreed remuneration and workload.

For other costs, the Fund Operator may request documents forming the basis for the budget if the budget includes costs that appear unreasonably high or insufficiently justified in relation to the project content. The Fund Operator may also request documents if the project includes the purchase of high-value fixed assets or the renovation of real estate.

B. When submitting reports

For costs reported on the basis of a flat rate, documents substantiating costs do not have to be submitted. This also applies to indirect costs where they are calculated on the basis of the flat rate approved in the project contract. The basis for calculating these costs is the correct calculation, reporting and substantiation of personnel costs or other direct eligible costs.

To substantiate the substantive implementation of the project, documents or other materials proving that activities took place and results were achieved must nevertheless be submitted in accordance with what has been agreed in the project contract.

For a budget based on lump sums or on unit costs, accounting documents substantiating costs are not submitted. For such budgets, documents or other materials proving that activities took place, agreed units were completed and results were achieved must be submitted in accordance with what has been agreed in the project contract.

4.2. Supporting documents for real costs

A. When submitting the budget

For budgeted costs, the Fund Operator may request documents forming the basis for the budget if the budget includes costs that appear unreasonably high or insufficiently justified in relation to the project content. The Fund Operator may also request documents if the project includes the purchase of high-value fixed assets or the renovation of real estate.

B. When submitting reports

For personnel costs reported on the basis of real costs, the following supporting documents must be submitted for each person at the request of the Fund Operator:

- employment contract or contract under the law of obligations, depending on the form of work;
- if the person is assigned to the project on the basis of a fixed workload, the relevant contract annex;
- if the person's workload in the project is not fixed, monthly time records showing the time worked for the project. The timesheet must cover 100% of the person's working time across all activities and projects and must be signed by the person and their supervisor;
- payslip or invoice if a person working under a contract under the law of obligations is paid on the basis of an invoice;
- bank statements proving the payment of salary, remuneration paid under a contract under the law of obligations and mandatory taxes and contributions during the eligibility period.

When reporting other costs, the following supporting documents must be submitted for each cost at the request of the Fund Operator:

- cost document, such as an invoice, receipt, contract or other source document;
- in the case of reimbursement of car-related transport costs, a properly completed travel log;
- bank statement or payment order proving the payment;
- procurement documents for costs exceeding EUR 15,000 including VAT, or where the total value of purchases made from the same supplier during the project exceeds EUR 15,000 including VAT;
- specification of the costs of renovation or refurbishment of real estate and calculation of their total amount, taking into account that these costs may not exceed 50% of the project's direct eligible costs.

The above-mentioned documents must be retained in accordance with the document retention requirements set out in section 6.1 of these Guidelines and submitted to the Fund Operator upon request, as well as during checks or audits.

5. PRINCIPLES FOR PURCHASES AND PROCUREMENT

The Project Promoter and Project Partner must use project funds economically, transparently and purposefully. All purchases must be necessary for the implementation of the project, justified, in line with the approved budget and comply with the rules on eligible costs.

When making purchases, the principles of sound financial management, fair competition and applicable ethical standards must be followed. Conflicts of interest and illegal or corrupt practices must be avoided. No offer, gift, payment or other advantage may be accepted if it could be interpreted as direct or indirect influence.

If the value of a single purchase or the total value of contracts concluded with the same supplier during the project exceeds EUR 15,000 including VAT, the Project Promoter or Project Partner must request at least three independent and comparable offers. The same obligation applies if purchases are made from the same supplier through several separate contracts or orders, but their total cost exceeds the specified threshold.

For purchases exceeding EUR 15,000, the following steps must be followed:

1. Preparation of a technical specification or terms of reference

The terms of reference must describe the subject of the purchase, quantity, quality or performance requirements, deadline, method of submitting the offer and evaluation criteria.

2. Requesting at least three independent offers

Offers must be requested in a way that ensures fair competition and allows the offers to be compared with each other. The same terms of reference or technical specification must be provided to all tenderers.

3. Comparison and evaluation of offers

Offers must be compared on the basis of criteria defined in advance, such as price, quality, compliance with the terms of reference, delivery time, experience or other relevant conditions.

4. Selection of the best offer and justification of the selection

The supplier must be selected on the basis of the most economically advantageous offer. This does not necessarily mean the cheapest offer. In addition to price, factors such as quality, the supplier's experience, completion deadline, technical solution, warranty conditions, maintenance costs or other conditions relevant to the project may be taken into account. The selection must be justified, documented and verifiable.

5. Conclusion of the contract and retention of documents

The contract or order must clearly describe the goods, services or works to be purchased, the total price, performance conditions and payment terms. All documents related to the purchase and the request for offers must be retained for the period specified in the project contract and submitted to the Fund Operator upon request or during a check or audit.

If it is not possible to obtain three offers, this must be justified in writing. The justification must explain what steps were taken to obtain offers and why having fewer than three offers was justified in the specific case.

6. PROJECT ACCOUNTING AND AVOIDANCE OF DOUBLE FUNDING

6.1. Project accounting

The Project Promoter and Project Partner must maintain project-specific accounts for the project in accordance with the Accounting Act and other applicable legal acts. They must ensure that all project costs and revenues are distinguishable in the accounts, traceable and clearly linked to the project.

The Project Promoter and Project Partner must retain documents related to costs and evidence of activities and results until 31.12.2035. These documents and evidence must be submitted or made available at the request of the Fund Operator during an audit or on-the-spot check. Audits or checks may be carried out, among others, by the Financial Mechanism Office, the EFTA Board of Auditors or the Office of the Auditor General of Norway. The Project Promoter is generally notified of such audits or checks at least two weeks in advance.

The Project Promoter undertakes to apply the four-eyes principle when making payments from project funds. Under this principle, at least two separate persons must participate in initiating and/or approving the payment, or the payment must be approved by at least two separate persons. In justified cases, the Fund Operator may allow an exception to the requirement set out in this section, and such exception is recorded in the project contract.

6.2. Avoidance of double funding

The Project Promoter and Project Partner must ensure that no cost is funded more than once from Programme funds or from other public or private sources. Double funding must be avoided within the same project, between different projects and between different methods of reimbursement of costs, including real costs and Simplified Cost Options.

To avoid double funding, the following principles must be followed:

- costs covered by flat-rate financing, unit costs or lump sums are not reimbursed additionally in any other way, including through real costs or another Simplified Cost Option;
- the same cost may be declared only once and must be clearly linked to a specific cost category, method of reimbursement of costs and, where applicable, project phase;
- cost categories covered by Simplified Cost Options and costs reimbursed on the basis of real costs must be clearly distinguished in the project budget, project contract and financial reports;
- if the project is implemented in successive phases, the phases must be clearly defined, including start and end dates and the allocation of costs;

- the costs used as the basis for calculating a Simplified Cost Option must not include costs already covered by the same or another Simplified Cost Option or on the basis of real costs.

If the Project Promoter or Project Partner has doubts as to whether reporting a particular cost may create a risk of double funding, it must request clarification from the Fund Operator before declaring the cost.

7. ANNEXES

Annex A: Timesheet template

Annex B: Travel log template